



June 1989

QUESTIONS CONCERNING ECONOMY'S STRENGTH CONTINUE TO MOUNT

Signs which suggest that growth in Pennsylvania is slowing continue to dot the economic landscape based upon a complete set of information for April. Many believe that economic growth will slow just enough to allow for reductions in interest rates and inflationary pressures, but not enough to plunge the nation into a full-fledged recession. If such a "soft-landing" scenario does pan out, it is quite likely that growth will only slow in Pennsylvania, rather than turn negative. The recent forecasting performance of the economic community is far from perfect, however, so only time will tell if such a scenario does unfold. A "hard-landing" is not out of the question, yet some analysts are more optimistic and are calling for renewed strength in the nation's economy. The path that the U.S. economy follows will go a long way towards determining Pennsylvania's fortunes.

One of the major concerns of late at the national level revolves around the potential for a pick-up in inflation. It is feared that continued strength in the factory sector will result in upward pressure on costs and prices. Such a development has yet to occur in Pennsylvania. While hours worked in manufacturing establishments have advanced considerably since 1987, real wages have trended down (chart).

There are conflicting signals as they relate to manufacturing activity in Pennsylvania. The Pennsylvania Manufacturing Activity Index appears to have settled into a pattern of slow, but erratic, growth since 1987 (chart). While factory output in Pennsylvania is barely moving forward, it continues to expand in the U.S. (Caution is required in comparisons between the PMAI and the U.S. industrial production index for manufacturing as they are not strictly comparable. Still, it is safe to say that the Commonwealth is being outperformed by the U.S. in terms of this measure of the economy's health, though it is difficult to quantify the gap.)

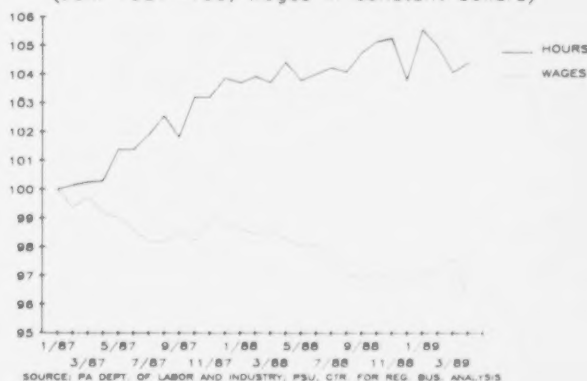
At the same time, downward pressure continues to be exerted on manufacturing jobs. April marks the third consecutive month of decline if normal seasonal trends are discounted. Jobs dropped by a seasonally adjusted 3,000 from March readings. The 1,054,000 factory jobs in April do, however, represent a gain of 1,400 from a year ago. In January, job levels were up by 9,000 on an annual basis as gains shrunk to 5,800 in February and 3,300 in March.

Other indicators of manufacturing's health, such as steel output, hours worked, payrolls, and earnings, also

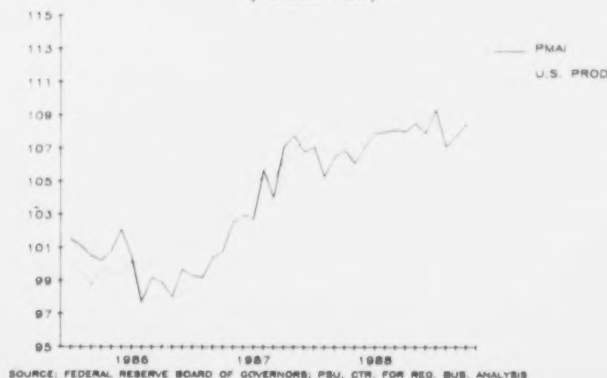
point to a factory sector which is probably treading water rather than trending up or down. It is beginning to look as if, over the long-term, manufacturing jobs will fluctuate at just above 1,000,000 with little likelihood of appreciable gains or declines except during cyclical upturns and downturns.

For the second month in a row, the job performance of the State's nonmanufacturing industries is somewhat

PRODUCTION HOURS WORKED AND HOURLY WAGES IN PENNSYLVANIA MANUFACTURING ESTABLISHMENTS (Jan. 1987=100; wages in constant dollars)



THE PMAI AND THE U.S. INDUSTRIAL PRODUCTION INDEX FOR MANUFACTURING: RECENT TRENDS (1986=100)



questionable. The gain of 47,000 jobs from March was a bit less than usual, resulting in a seasonally adjusted decline in April. Revised figures for March show minimal gains. In that job levels in these industries are quite volatile this time of the year because of seasonal fluctuations, it is best not to put too much emphasis on one month's numbers. However, at the least, April's showing on the heels of the March report suggests that job growth has slowed in these industries.

Of the ten nonfactory industries monitored in the *Pennsylvania Business Survey*, seven maintained fewer jobs during April than in March after seasonal adjustment. In another,

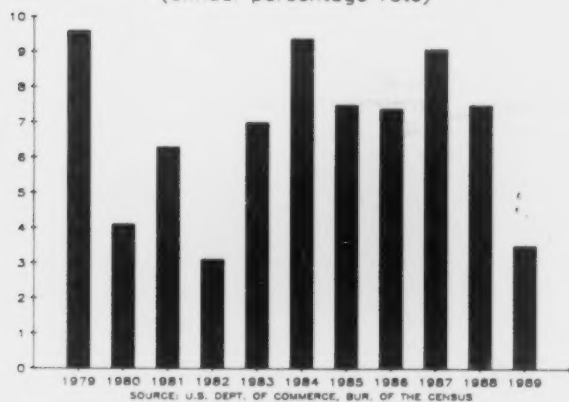
payrolls held steady. One industry where a slowdown in job growth is evident is retail trade where growth averaged 3.2 percent between 1983 and 1988. So far this year, jobs are up only 1.2 percent compared to the first four months of 1988. **Retail sales growth has also slowed considerably this year** (chart). The 3.5 percent annual gain in this year's first quarter represents the slowest advance since 1982. **The construction industry continues to add workers, but indicators of activity, such as permit authorizations and contract awards, suggest a slowdown.**

Despite this weakness of late, gains continue to be realiz-

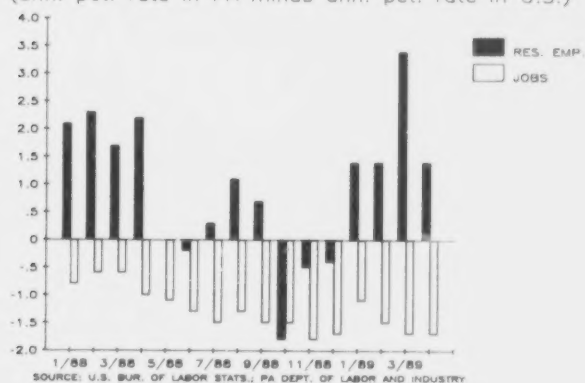
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Mar.	Apr.	Apr.	Mar.	Apr.	Apr.	Mar.	Apr.	Apr.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.) ¹	5,047*	5,096	5,022	5,098*	5,090	5,016	111.7*	111.5	109.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,993*	4,040	3,967	4,040*	4,034	3,962	125.3	125.2	122.9
Mining	28	28	29	28	28	29	58.7	58.1	60.8
Contract construction	216	231	220	238*	239	227	129.6*	129.9	123.5
Transportation	149	150	148	150	149	147	93.2*	92.5	91.2
Public Utilities	103	103	104	104*	104	105	102.8*	102.8	103.8
Wholesale trade	270	270	269	272	270	269	122.5*	121.9	121.4
Retail trade	871*	882	875	891*	887	881	124.3*	123.7	122.8
Finance, insurance & real estate	294*	296	291	297	297	292	136.6*	136.3	134.3
Service & miscellaneous	1,353	1,372	1,326	1,363	1,365	1,318	158.0	158.2	152.8
Federal government	138	138	141	138	138	141	107.9	107.3	109.7
State & local government	571	571	565	560*	558	553	96.1*	95.8	94.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,053	1,054	1,053	1,059	1,056	1,054	78.9	78.7	78.6
Durable goods	601	601	602	605	601	602	74.7	74.2	74.3
Nondurable goods	452	453	450	454	455	453	85.3	85.5	85.1
Ave. wkly. hrs. worked by prod. workers	40.5	40.6	40.9	40.7	40.8	41.2	103.0	103.4	104.2
Total wkly. person-hours worked (mils.)	29.4	29.5	29.5	29.6	29.7	29.7	77.2	77.4	77.4
Total wkly. payroll (mil. dols.)	308.9	309.3	300.4	312.4*	311.8	302.8	139.0	138.8	134.8
Average hourly earnings (dollars)	10.52	10.49	10.19	10.55	10.49	10.19	180.4	179.3	174.2
Average weekly earnings (dollars)	426.06	425.89	416.77	429.06	429.32	420.16	185.5	185.6	181.6
Steel production (thous. tons)	1,239	1,120	1,262	n.a.	n.a.	n.a.	50.8	43.4	49.0
Industrial electric power sales (mil. kwh)	3,890	3,750	3,705	3,844	3,885	3,781	104.1	105.2	102.4
Mining									
Anthracite coal (thous. net tons)	279	270	265	308	309	297	63.0	63.4	60.7
Bituminous coal (thous. net tons)	7,150	5,886	5,471	6,391	5,889	5,419	90.6	83.5	76.8
Construction contracts awarded (mil. dols.)									
Total	1,004.5	893.3	918.0*	904.0	859.1	830.7*	281.0	267.0	258.2*
Residential building	410.4	453.0	394.5*	347.0	392.0	331.5*	246.6	278.5	235.6*
Nonresidential building	390.5	282.5	267.4*	381.5	339.7	297.0*	351.7	313.1	273.7*
Nonbuilding (utilities and public works)	203.6	157.8	263.1*	175.5	127.4	202.2*	242.2	175.8	278.9*
Housing units authorized by permit	3,834	5,156	6,194	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonresidential bldgs. authorized by permit	1,594	2,639	2,463	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	6,734	n.a.	6,408†	6,623	n.a.	6,508†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,642	5,606	5,419	5,765	5,669	5,483	120.0	118.0	114.1
Unemployed									
No. of persons (thous.)	250	234	261	235	263	288	58.5	65.6	71.8
Rate (percentage of labor force)	4.2	4.0	4.6						
Rate, seasonally adjusted				3.9	4.4	5.0			
Civilian labor force, no. of persons (thous.)	5,892	5,840	5,680	6,000	5,933	5,771	115.2	113.9	110.8
Initial claims for unemployment benefits	79,091	69,290	73,720	92,093	77,104	78,613	64.3	53.9	54.9
Consumer Prices, all items									
	Urban Indexes (1982-84 = 100)			Percentage Change					
	1989		1988	Month	Year				
	Mar.	Apr.	Apr.	Ago	Ago				
U.S. city average	122.3	123.1	117.1	+0.7	+5.1				
Philadelphia	126.0	126.7	120.0	+0.6	+5.6				
Pittsburgh	n.a.	119.2	114.5	n.a.	+4.1				

¹ Total includes workers on strike. * = figure revised † = figure for March 1989 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA RETAIL SALES GROWTH
(annual percentage rate)



PA RESIDENT EMPLOYMENT GROWTH vs. THE U.S. AND
PA NONFARM JOB GROWTH vs. THE U.S.
(ann. pct. rate in PA minus ann. pct. rate in U.S.)



ed compared to a year ago in the sector as a whole. Specifically, nonmanufacturing job levels are up by nearly 75,000 relative to April 1988. Again, this suggests that while growth may be slowing, it remains positive. This represents a trend that is likely to continue throughout 1989.

The weakness in the factory and nonfactory components of the economy resulted in a seasonally adjusted decline of 8,000 in the number of nonfarm positions in Pennsylvania establishments during April compared to March. (Again, this decline is the result of a less-than-expected gain in the unadjusted data.) This represents the second consecutive monthly falloff.

The April report on resident employment and unemployment was also far from impressive in the Commonwealth. Employment plunged by close to 100,000, erasing the gains racked up in March. Partly as a result, joblessness also moved upward. When all of the plusses and minuses of the past several months are averaged out, the results suggest that the employment/unemployment situation is holding fairly steady.

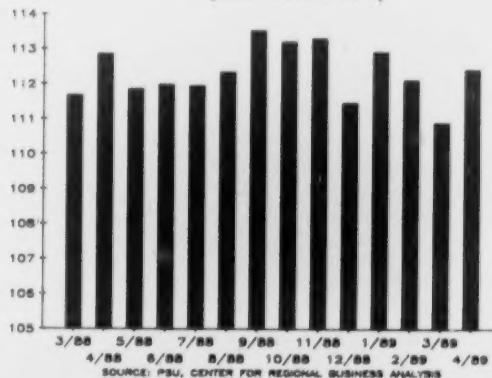
Conclusions concerning Pennsylvania's relative performance in terms of employment growth are somewhat hard to draw. Nonfarm job growth in the Commonwealth has trailed that for the U.S. in each month since 1988 (chart). Addi-

tionally, the gap appears to be widening. Over the past several months, there have been periods when the Commonwealth outperformed the nation with respect to resident employment growth and there have been periods when growth in the U.S. has been stronger. In recent months, gains in Pennsylvania have surpassed those for the nation as a whole. As has been pointed out in the past in the *PBS*, most view the nonagricultural establishment data as more reliable.

Taken as a whole, April's batch of statistics appear to be worrisome. However, it is still too early to modify our forecast of slow growth throughout the remainder of 1989. While the news could be better, a recession appears unlikely. In fact, the leading index of Pennsylvania economic conditions jumped forward by a strong 1.5 percentage points (chart), mostly because of a relatively large dropoff in initial claims for jobless benefits. Such a development is welcome in light of recent upward pressure on initial claims which has historically been a leading indicator of unemployment trends.

Over time, the focus of the *Pennsylvania Business Survey* has been on current trends in the Commonwealth's economy and on the short-term outlook. Periodically, it is insightful, though somewhat risky, to take a longer-term view. One of the factors having an influence on the long-term economic potential of Pennsylvania is the quality of the labor force. While there are no all-encompassing measures of labor force quality and/or productivity available, several studies have used the educational status of the labor force as a measure of its quality and future potential. By some measures, Pennsylvania does not stack up too well in terms of educational attainment. While the percentage of the population 25 years old and older with at least four years of high school is quite similar to national averages, the Commonwealth lags considerably when the focus is on the attainment of a college education. Only four of the 15 large states surveyed by the U.S. Bureau of the Census maintained a smaller representation of college-educated persons as of 1987 (chart) than Pennsylvania's 17.2 percent. In the U.S. as a whole, 19.9 percent of the population had achieved such an educational standing. Such a pattern, should it hold into the future, could pose problems for the competitiveness of Pennsylvania's economy.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



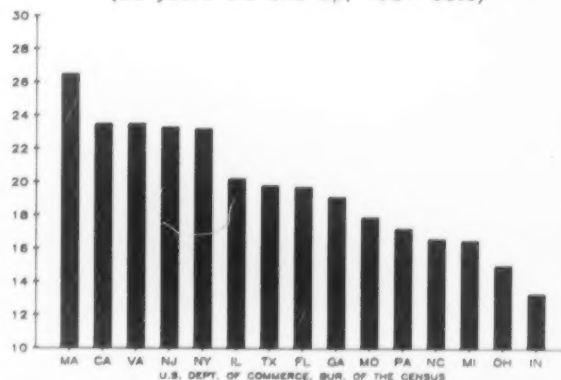
Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	Coincident	Leading	Coincident
August 1988	112.4	86.1	0.4	0.2
September	113.5	86.2	1.0	0.2
October	113.2	85.8	-0.3	-0.5
November	113.3	86.2	0.1	0.5
December	111.5	85.8	-1.6	-0.5
January 1989	112.9	87.3	1.3	1.7
February	112.1	86.9	-0.7	-0.5
March	110.9	87.0	-1.1	+0.1
April	112.4	86.1	+1.4	-1.0

On a brighter note, this 17.2 percent reading does represent improvement from earlier years. For instance, in 1980, only 13.6 percent of the population had attended college for at least four years.

— William D. Anderson

PERCENTAGE OF POPULATION WITH AT LEAST
FOUR YEARS OF COLLEGE: 15 LARGE STATES
(25 years old and up; 1987 data)



THE U.S. ECONOMY — “STORM CLOUDS ON THE HORIZON...?”

(Those involved in the publication of the Pennsylvania Business Survey are constantly striving for consistency in reporting on economic conditions and trends as they relate to the Commonwealth. As a result, we often refer to several dominant or overriding themes which we use as a common denominator in our analyses. Several times in the past, we have highlighted the ties between the Pennsylvania and U.S. economies. In order to keep our readers updated on all factors having an impact on Statewide economic conditions, we feel that it is worthwhile to provide a thorough overview of U.S. economic trends on a periodic basis.)

We are pleased that Jack Malehorn, Chief Economist with United Telephone Company of Pennsylvania/New Jersey, has again agreed to provide us with his thoughts concerning U.S. economic conditions. The views expressed by Mr. Malehorn are his own and do not necessarily reflect those of The Pennsylvania State University or United Telephone Company of Pennsylvania/New Jersey.)

Analogous to a threatening weather system in the distance, warning signs have appeared concerning the fate of the current business expansion. The beginning of the seventh year of the expansion was launched in a robust fashion. Real growth, jobs, and production continue to show steady progress. Still, almost from the beginning of the year, the public has been inundated with reports concerning the eventual demise of the economy, the underlying weaknesses in the marketplace, and the perilous condition of credit markets.

Several reasons can be theorized for the negative reports. One reason could be that economics is generally known as the “dismal science.” Economists are trained to keep a close eye on resource usage such as labor and production capacity. Consequently, growing evidence, especially in light of the duration of the current business cycle, of strained resource markets (from a historical perspective) supports a pessimistic

assessment of the economy.

At the heart of the matter, when analyzing the economy, is the necessary separation of fact from fiction. Careful examination of current evidence would tend to test/question many of the popular misgivings surrounding the direction of the economy. The crux of the problem concerns an awareness of the structural underpinnings of the economy. For the most part, the economic foundations of the expansion continue on solid footing. However, perception has been clouded by an underlying shift in the composition of the economy. In short, a clear dichotomy has surfaced between the real sector (the production of goods and services) and the financial sector. While, in an accounting sense, the two distinct sectors must equate, they do have very different structures which at times tend to point in opposite directions.

Suffice it to say that decision-makers on the financial side of the house are buffeted by ever-changing winds. Movements in the value of the dollar, a hint of a shift in direction emanating from the Fed, and changes in interest rates which affect a re-evaluation of asset values and portfolio composition, all tend to promote a very short-run mode of thinking. Surely, financial market volatility has increased and will continue to do so during the year. In essence, advanced management practices foster seemingly knee-jerk reactions to changing conditions as decision algorithms are re-estimated on a daily, sometimes hourly, basis.

The real sector continues to display positive, albeit slower, gains. Job creation continues at a steady pace, production advances have been recorded, and sales reports are positive. Quite naturally, some weak spots in the economy have occurred. Housing and autos — two historic leading indicators of economic activity — have noticeably slowed. Yet, investment spending for plant and equipment has shown renewed life, moving to the forefront of economic activity.

The bottom line for the year is slow but steady progress.

Despite negative reports, the economy is essentially undergoing a composition transformation which may result in prolonging the expansion.

Certainly the outlook for 1990 and beyond is difficult to assess. From a historical perspective, a safe bet would be to expect a downturn sometime next year. Still, an economic expansion which has shown the tenacity to shrug off the stock market crash in October 1987, as well as the drought last summer, may continue to surprise the doomsayers.

A Digression

In support of those who are responsible for forecasting and planning, one reason for the spate of negativism is the unfamiliar ground on which the economy currently resides. May marks the 78th month of the current economic expansion. Over the last one hundred years, business expansions have averaged about 33 months in length. In essence, the current business cycle represents the longest peacetime expansion in modern economic history (the longest business expansion was from 1961 to 1969 which encompassed three different presidential administrations and the Vietnam War). In this light, analysts search for corresponding periods of economic activity in order to assess the present state of the economy and, subsequently, its most likely direction. As such, the recent period of low unemployment and relatively high production capacity promotes a logical concern over resource constraints and subsequent inflationary pressures being built into the economy.

On the other hand, paramount to an analysis of the economy are the structural changes which have occurred during the decade of the 1980s. Surely, from a manufacturing perspective, the competitive environment today is much more global in nature and has had a significant impact on production industries (and management practices). The advent of technological improvements has also led to continued advancements in competition, especially in the financial arena. In addition, the extent of deregulation across many key industries has led to greater competitiveness and more efficient operations. Finally, but certainly of major significance, is the slow but steady change in the composition of the labor force to a more mature and educated work force.

Perhaps the best advice to those unfortunate enough to be placed in a situation of having to predict the likely direction of the economy is to "expect the unexpected." Today's analyst seems best served by an eclectic view of the marketplace. For example, while supply-side economics has not passed the rigor of historical tests, a recognition of such facts is essential to a comprehensive view of the economy. Another key element is an increased focus on local and regional economies which often lay bare structural market forces which are inherently vital components (but sometimes difficult to assess) on a national level. Finally, a glance outside the discipline to other facets, such as demographic trends, helps to better understand the fundamentals of the economy.

The Consumer Sector

A shift in the characterization of the American consumer from irrepressible to cautious is underway. While a change

in consumer purchase patterns has been suggested before, this time the reasons are different. Instead of concern over spent savings or debt overload, consumers may just have reached a natural point of saturation. After all, the market for televisions, VCRs and microwaves is not infinite in nature and seven years of uninterrupted growth would certainly have satisfied a major portion of pent-up demand.

To some degree, an underlying change in the composition and lifestyles of purchasers may be at hand. A gradual aging of the "baby-boomer" set may lead to a more conservative approach to spending decisions. In essence, a demographic shift (to an older, more established, population) in consumer attitudes may promote a greater focus on financial security as opposed to seemingly frivolous consumption.

Does this mean a complete retrenchment among all consumer groups? It is not likely. The best indicators regarding short-term consumption patterns are the confidence barometers. Consumer confidence has been at a twenty-year high, supported by consistent employment gains and accompanying income.

Certainly, key elements with respect to the consumer sector in 1989 will be impacted by rising interest rates, especially expenditures tied to adjustable rates, and concerns over revitalizing spent savings. Nevertheless, the underlying shift in consumption patterns places the onus on segmenting the market into discrete niches and displaying a clear picture of the benefits of a product or service relative to cost.

Overall, real consumption spending should increase at a 2 to 3 percent rate during the year (a respectable showing) which should help to alleviate fears of runaway inflation due to "debt-crazed" households while at the same time maintaining a sufficient market presence in order to keep the economy from entering into a quick downturn.

Business

Capital spending will once again be strong in 1989. Recent surveys of spending plans continue to boost anticipated expenditures for plant and equipment during the year, as American business concentrates funds on productivity improvements. Major challenges to the business community in 1989 include (1) controlling labor costs which should be at least partially offset by productivity gains resulting from prior years' investment in more efficient equipment and machinery, (2) the value of the dollar, (3) the threat of protectionism which could rapidly shut down world markets, and (4) the proper management of cost pressures *vis-a-vis* market share.

Overall investment spending should sustain the economy in 1989. Expenditures for plant and equipment should also assure a diminution in inflationary fears. Clearly, a movement to substitute capital for labor is underway across many industries which in the long run should enhance productivity and ultimately the standard of living.

The Government Sector

On a theoretical basis, stabilization policy is a function of both government involvement, as represented through active fiscal policy (spending and taxing decisions), and the Federal Reserve through monetary policy. Throughout the tenure of

the present economic expansion, the Fed has been characterized as "the only game in town," in that discretionary fiscal policy has been handcuffed by the intractable nature of the federal budget deficit. The inability of the new Administration and Congress to make decisive steps to reel in government spending will once again leave the brunt of stabilization policy in the hands of the Federal Reserve System.

Over the past year and a half, the Fed has pursued what may be termed "a gradualistic approach." The balancing act performed by the Fed in light of its obligation to sustain the economic expansion, contain inflationary pressures, reduce the dependence on foreign capital, and support capital flows to fund export and investment activity has been truly remarkable to date.

Sound monetary management is clearly a necessary ingredient for continued economic prosperity into 1990 and beyond. Truly, the task is a monumental one. Currently, the Fed can (1) essentially do nothing until it becomes clear as to whether past restrictiveness has truly slowed the economy to a more palatable level, (2) risk a recession in order to thwart inflationary pressures, or (3) gradually continue to test the waters through minor discretionary tightening action. Given the current dilemma facing the S&L industry, concern over foreign debt and the fear of many corporations being over-leveraged due in part to the recent tide of leveraged buyouts, the Fed will more than likely adopt a passive approach to monetary management, allowing the marketplace to determine credit conditions.

Inflation

A key element in the outlook for the economy is the concern over inflation. Early in the year, inflationary measures such as the Producer Price Index and the Consumer Price Index increased at a shocking rate. However, a closer inspection of the inflation numbers would support a minimal increase over 1988 not to exceed a 6 percent annual average. Much of the overstatement in inflation numbers has been caused by unique events which have already begun to moderate (food and oil shocks). While heightened inflationary pressures are a major concern over the long run, double-digit inflation is certainly a very minute possibility for 1989 and beyond.

Summary

Early in the year, many stories surfaced concerning the possibility that business cycles were indeed dead. From a historical perspective, similar stories occurred during the 1960s, a time of unprecedented economic growth. Yet, as history proved, business cycles were very much alive as the prosperous and long sustained expansion in the 1960s was replaced by a series of major market disruptions during the 1970s and early 1980s. While it would be unrealistic to expect the current expansion to last forever, hope springs eternal that the decade of the 1990s could indeed experience positive economic growth absent of any major disruptions of market forces.

Personal Income Report

Trends evident in what may be viewed as one of the most comprehensive measures of the economy's health, personal income, suggest that the Commonwealth turned in a fairly impressive showing in 1988. This measure represents the total of all income including earnings, dividends/interest/rent, and transfer payments. For the year, personal income totaled \$194.5 billion, up 7.1 percent from 1987. This represents only a slight improvement over 1987's 7 percent advance. However, it represents considerable improvement over the 6.1 percent increase averaged since 1982.

In addition to a solid showing with respect to recent historical trends, Pennsylvania also held up fairly well relative to the nation as a whole last year. Nationwide, personal income grew at a similar 7.3 percent clip. Again, this relative showing represents significant improvement over recent years. Since 1982, average growth in U.S. personal income has been 1.1 percentage points higher than in Pennsylvania.

This general overview corresponds nicely with conclusions drawn in earlier issues of the *Pennsylvania Business Survey*. Most indicators in 1988 suggested that, while far from booming, growth was quite solid in the Pennsylvania economy. Additionally, it was hypothesized that, for the first time in

1988 personal income by major source: Pennsylvania and the United States (millions of dollars)

	Pennsylvania		U.S.
	1988	Pct. chg. from 1987	Pct. chg. from 1987
Earnings by place of work	136,494	7.5	7.3
By type			
Wage and salary disbursements	110,812	8.2	8.0
Other labor income	10,953	5.2	5.0
Proprietors income	14,729	4.0	3.8
By industry			
Farm	880	-19.9	-12.0
Nonfarm	135,615	7.7	7.7
Private	118,410	8.1	8.0
Ag. serv., for., fish., and other	493	12.0	10.3
Mining	1,399	0.0	4.0
Construction	9,114	9.0	6.9
Manufacturing	32,263	6.2	6.2
Nondurable goods	12,317	6.0	5.5
Durable goods	19,946	6.4	6.6
Transportation and public utilities	9,346	7.0	6.8
Wholesale trade	8,404	9.8	9.5
Retail trade	13,126	8.7	8.5
Finance, insurance, and real estate	8,589	9.1	8.5
Services	35,678	9.2	9.5
Government	17,205	5.3	6.2
Federal, civilian	4,209	5.8	5.2
Federal, military	689	-4.2	2.5
State and local	12,308	5.7	7.0
Total personal income	194,459	7.1	7.3
Nonfarm personal income	193,579	7.3	7.5
Net earnings ¹	126,989	7.0	6.9
Dividends, interest and rent	33,856	8.9	9.1
Transfer payments	33,615	5.7	6.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

¹Total earnings by place of work less personal contributions for social insurance plus an adjustment for residence.

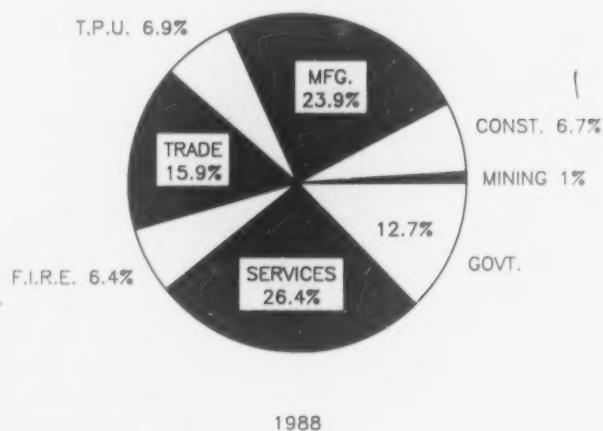
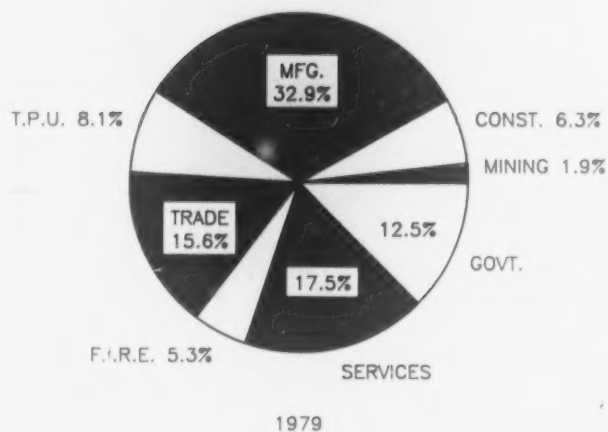
several years, Pennsylvania performed pretty much on par with the U.S. over roughly the 1987-1988 period. The recently released personal income information does nothing to change the general tone of these insights.

Much has been made in recent years of the structural shift in Pennsylvania's economy. Such a shift is evident in a breakdown of personal income. Earnings' share of personal income has declined from earlier years (chart). Over the 1970-1987 period, earnings accounted for about 68.4 percent of total personal income. Last year, it accounted for 65.3 percent. The bulk of the difference was made up by the dividends/interest/rent component which accounted for 17.4 percent of the total last year. Over the previous 18 years, its share averaged 14.7 percent. Transfer payments' share rose a bit less, from 16.9 percent in the earlier period to 17.3 percent last year. Although no definite conclusions may be drawn because of a lack of data, the aging of Pennsylvania's population may account for at least part of these shifts. Older residents are more likely to draw income from transfer payments and investment-related activities than from work-related earnings. Another potential cause concerns the greater availability of higher-yielding investments in today's credit markets.

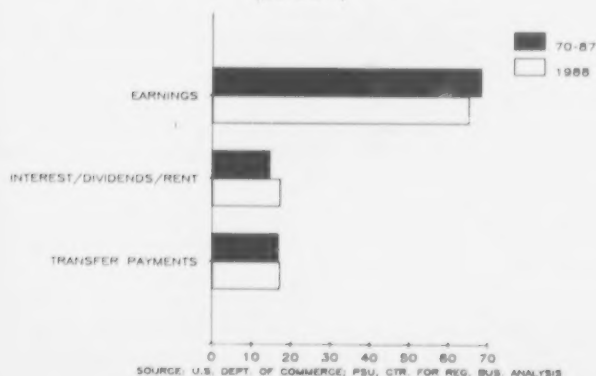
The shift away from goods-producing activities and towards service-producing activities in recent years is also apparent in the personal income statistics. For instance, manufacturing accounted for 24 percent of all earnings in Pennsylvania last year (chart). This is down considerably from the 33 percent share of 1979. Construction and mining's share did, however, rise slightly. The share of earnings accounted for by the services industries also rose, from 18 percent in 1979 to 26 percent in 1988.

While earnings growth in the service-producing industries continued to outpace the goods-producing sector, some improvement was recorded. For instance, earnings in the construction industry soared 9 percent last year, quite a bit stronger than the 7.7 percent gain averaged throughout the nonfarm sector. Although manufacturing's earnings gain of 6.2 percent was less than the economy-wide average, it represents considerable improvement over the 2.5 percent

SHARE OF PENNSYLVANIA EARNINGS
BY INDUSTRY: 1979 AND 1988
(percent)



COMPONENTS' SHARE OF PA PERSONAL INCOME:
1970-1987 AVERAGES AND 1988
(percent)



gain averaged over the 1982-1988 period. Most service-producing industries, led by trade and services, turned in above-average showings in terms of earnings growth in recent years. Although discrepancies still exist, the data do indicate some improvement on the part of the performance of Pennsylvania's goods-producing industries, though it still lags that for the Commonwealth's service-producers.

The situation appears to be at least as impressive when looked at on a per capita basis. Personal income averaged \$16,168 per Pennsylvanian in 1988, up 6.4 percent from 1987. Although down a bit from 1987's 6.6 advance, this does represent an improvement over the 5.9 percent gain in per capita personal income averaged between 1982 and 1988. Nationally, average personal income grew 6.2 percent last year. However, income averaged \$16,444 last year, nearly \$300 more than in the State.

Data for 1987 personal income for Pennsylvania's metropolitan areas have also recently been made available. (The release of the metro area data lags the Statewide information by one year.) All 15 metro areas recorded gains in personal income on both a total and per capita basis relative to 1986. The strongest gains in total income occurred in eastern, especially southeastern, Pennsylvania and in the

Williamsport and State College (where the 9 percent gain in 1987 was the strongest in the Commonwealth) regions. Several times, the *Pennsylvania Business Survey* has identified these economies as being the strongest in the Commonwealth.

Per capita income varies considerably across Pennsylvania's metro areas. Philadelphia is home to the highest reading, \$17,294. Other relatively high readings are found in the Reading, Allentown-Bethlehem, York, Lancaster, and Pittsburgh regions. The lowest reading is found in the Johnstown metro area, \$11,690, as the loss of heavy manufacturing appears to have taken its toll.

If anything, gaps between the "haves" and the "have nots" in Pennsylvania appear to be growing. Except for Reading and Harrisburg, metro areas in the east and central regions of the State saw average income levels rise relative to Statewide averages between 1983 and 1987 (chart). When expressed as a percent of the Pennsylvania average, these readings rose. Regions in western Pennsylvania saw per capita readings of income fall relative to overall norms. However, it would not be especially surprising to see a slight reversal in these trends in the future as there have been signs of more balanced growth across regions, though differences still remain.

The structural shifts discussed above are also evident in every metro area in Pennsylvania. For instance, manufacturing's share of total earnings has dropped between 1979 and 1987 in every region, while the share accounted for by services has grown (chart). The largest shifts have occurred in western Pennsylvania. For instance, Beaver County's manufacturing share dropped from 61 percent of earnings in 1979 to 24 percent in 1987. This is illustrated by a decline of 37 percentage points in the chart. Services' share rose from 8 percent to 21 percent. In fact, some of the largest manufacturing shares are now found in southeastern Pennsylvania.

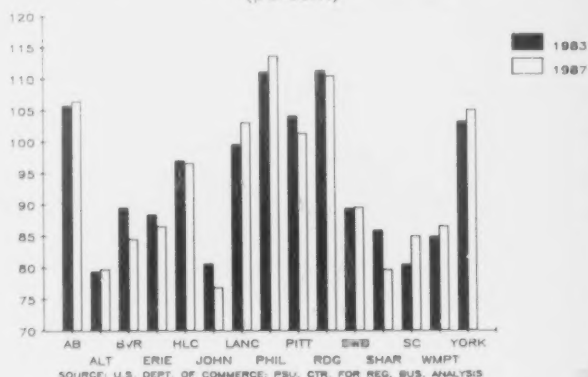
— William D. Anderson

1987 total and per capita personal income: Pennsylvania metropolitan areas

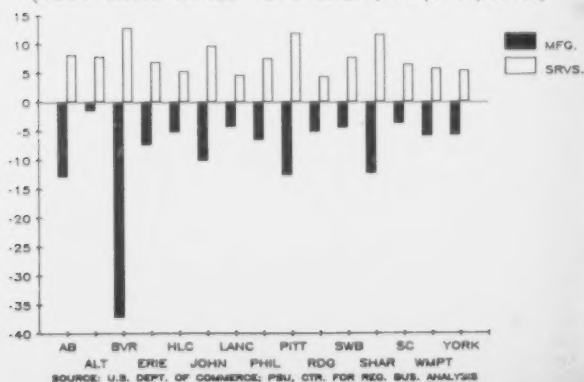
	Total personal income (millions of dollars)		Per capita income (dollars)	
	1987	Pct. chg. from 1986	1987	Pct. of natl. ave. 1987
Allentown-Bethlehem	10,782	8.1	16,190	105
Altoona	1,601	4.8	12,135	78
Beaver County	2,457	5.5	12,861	83
Erie	3,672	5.1	13,174	85
Harrisburg-Lebanon-Carlisle	8,577	7.3	14,693	95
Johnstown	2,948	5.1	11,690	75
Lancaster	6,333	8.6	15,686	101
Philadelphia	84,158	8.1	17,294	112
Pittsburgh	32,464	5.6	15,419	100
Reading	5,450	7.4	16,803	109
Scranton-Wilkes-Barre	9,964	6.9	13,631	88
Sharon	1,496	4.7	12,115	78
State College	1,480	9.0	12,920	83
Williamsport	1,542	8.1	13,173	85
York	6,452	8.3	15,984	103

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

METRO AREA PER CAPITA PERSONAL INCOME
AS A SHARE OF THE PA AVERAGE: 1983 AND 1987
(percent)



METRO AREA CHANGES IN MANUFACTURING AND
SERVICES SHARES OF EARNINGS: 1979-1987
(1987 share minus 1979 share; in pct. points)



1988 BUILDING PERMITS REPORT

Construction trends were mixed in Pennsylvania during 1988 based on projects authorized by permit. New residential housing unit authorizations fell slightly from 1987 levels. The estimated value of this construction rose a bit. Permit authorizations for new nonresidential buildings, which includes nonbuilding projects such as parks, outdoor pools, outdoor theaters, etc., rose, as did the valuation of these projects.

The data are obtained through an annual survey of permit-issuing authorities by the U.S. Bureau of the Census. Information for nonrespondents are imputed (estimated). Activity in areas where a permitting process is not in place is not included. Historical comparisons are somewhat suspect, though still enlightening, in that the number of permitting authorities has tended to grow over time. Hence, the surveyed population has grown. Most, but not all, permitted projects are actually begun. Therefore, they are not a true representation of construction starts. Similarly, no data are available to determine when a project is started. The data are subject to large swings, especially at the local level, sometimes because of distortions related to the permitting of large projects. The value of authorized construction is estimated during the course of the permitting process. It does not necessarily reflect actual market value. It can only be assumed to be representative of pricing trends in the real estate sector. There are special interpretation problems as they relate to nonresidential trends. Given the wide variety of construction categories, it is hard to gauge overall trends. There are difficulties in comparing trends in the various sub-groups. Hence, analyses of these trends are much more limited relative to the residential sector. This is especially true at the regional level. The data are presented in a detailed tabular format in a manner similar to that for the residential side to

allow those readers with detailed knowledge of building activity in individual locales to gauge trends.

There were 53,833 new housing units authorized for construction in Pennsylvania in 1988. (A unit is a single-family house or an individual apartment, condominium, town house, etc. in a multi-unit building.) This represents a decline of 1.8 percent from 1987's 54,803 permits. This was the first decline since 1982. Permit growth started to slow in 1987 after four years of solid gains. It is difficult to say why activity has slowed. Upward pressure on borrowing costs, inflation in the housing market, and the satisfaction of pent-up demand are likely explanations. Despite this decrease, the value of permitted residential construction rose 7.7 percent from 1987 to \$3.9 billion. The average new unit was valued at \$71,761. In 1987, the average was \$65,464.

Nationally, 1,455,623 permits were authorized in 1988 for a decline of 5.2 percent from 1987. Growth in Pennsylvania authorizations has outpaced gains recorded nationally every year since 1984. New construction values (estimated) rose 3.3 percent in 1988 in the U.S. The typical new unit was valued at \$64,079 in 1987 and \$69,815 in 1988.

Growth was sluggish in both the single- and multi-family sectors in Pennsylvania. Single-family authorizations totaled 45,293 in 1988, down 1.1 percent from 1987. The number of new units authorized in two-unit buildings dipped by one-third on an annual basis. New units in buildings containing three or four units fell by more than one-fifth. Only those units in buildings with at least five units showed any growth in the number of new authorizations last year as they increased 2.3 percent. The increase in valuations was the result of a 9.5 percent gain in the single-family category. All multi-unit categories registered declines in new construction values from 1987.

Seven of the 15 metropolitan statistical areas in Pennsylvania registered gains in the number of new housing units authorized in 1988. Three of the four strongest gains occurred in regions where economic growth was relatively sluggish throughout much of the 1980s: Sharon (a 37.3 percent gain from 1987), Altoona (+17.7 percent), and Johnstown (+17.6 percent). In the York metro area, authorizations rose 29.1 percent. The largest declines occurred in Centre County where 36.3 percent fewer permits were authorized in 1988 and in the Allentown-Bethlehem region where a 19.7 percent fall occurred. Metro-Philadelphia permits fell 2.6 percent as declines in Bucks, Chester, and Delaware Counties offset gains in Montgomery and Philadelphia Counties. In the Pittsburgh region, gains in Fayette, Washington, and Westmoreland Counties helped push authorizations up 2.6 percent. Of the 33 metropolitan counties in Pennsylvania, 17 authorized fewer permits in 1988 compared to 1987. Only seven turned in declines in new construction values, further evidence that new housing prices have been on the rise.

Only 16 of the 34 non-metro counties in Pennsylvania realized gains in authorizations in 1988. The same number realized gains in construction values. The largest percentage gain in authorizations occurred in Northumberland County. Potter County had the largest dropoff. In absolute terms, Pike, Wayne, and Butler Counties had the highest number of per-

New authorized construction in permit issuing places in PA (res. authorizations in units; nonres. authorizations in bldgs.; value in thousands of dollars)

	Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
Residential	53,833	- 1.8	3,863,109	7.7
Single-family	45,293	- 1.1	3,537,172	9.5
2 units	788	-32.5	32,731	-20.4
3-4 units	941	-21.1	41,289	-10.7
5+ units	6,811	2.3	251,917	- 6.7
Nonresidential	23,126	10.4	2,338,209	40.3
Amusement	203	17.3	53,201	83.0
Religious	144	32.1	37,310	0.9
Industrial	890	- 6.8	340,806	27.5
Parking garages	49	-71.8	73,900	25.9
Service stations	282	-11.0	27,223	3.7
Hospitals	126	- 2.3	163,178	42.3
Offices	798	- 3.4	844,701	98.2
Public works	187	32.6	37,667	-34.1
Schools	101	2.0	50,154	-17.4
Stores	1,655	- 2.5	545,659	29.9
Other buildings	11,463	18.1	109,843	- 3.1
Non-building	7,228	9.3	54,567	- 2.0

Source: U.S. Dept. of Commerce, Bur. of the Census

**New authorized residential construction in permit issuing places by metropolitan statistical area and county
(authorizations in units; value in dollars)**

	Total				Single-family			
	Authorizations		Value		Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
MSAs								
A'town-Beth MSA	3,563	-19.7	297,406,608	-3.6	3,269	-16.2	283,884,107	-2.7
Carbon	324	-12.7	20,408,228	6.1	279	13.4	18,493,770	32.5
Lehigh	1,586	-7.9	139,976,367	10.9	1,449	-1.8	132,987,324	11.1
Northampton	1,653	-29.5	137,022,013	-16.0	1,541	-29.2	132,403,013	-16.3
Altoona MSA (Blair)	333	17.7	21,212,790	45.9	269	10.2	16,897,790	22.9
Beaver MSA (Beaver)	291	-9.9	20,779,542	40.1	281	67.3	20,511,430	91.0
Erie MSA (Erie)	775	-3.7	41,807,719	-3.3	638	1.8	38,064,719	2.6
H'burg-Leb-Carl MSA	3,630	-5.3	229,010,967	5.7	2,953	-11.1	203,097,717	1.8
Cumberland	1,473	-4.1	99,742,018	9.2	1,196	-10.5	87,408,763	1.2
Dauphin	1,432	-0.3	69,851,951	9.1	1,238	-7.6	84,459,331	6.4
Lebanon	480	-14.0	27,638,834	-8.7	318	-10.7	20,614,459	-4.5
Perry	245	-19.4	11,778,164	-6.2	201	-29.7	10,615,164	-13.2
Johnstown MSA	515	17.6	29,676,867	13.8	507	28.7	29,420,867	30.2
Cambria	191	-4.5	10,884,755	4.1	183	-6.6	10,628,755	2.5
Somerset	324	36.1	18,792,112	20.2	324	63.6	18,792,112	53.6
Lanc MSA (Lancaster)	3,519	-2.6	256,995,639	13.5	2,990	3.4	234,762,574	18.9
Philadelphia MSA	15,305	-2.6	1,229,106,276	5.8	12,618	0.3	1,110,513,072	7.0
Bucks	4,287	-9.0	326,766,171	-1.0	3,772	-0.6	309,992,336	3.9
Chester	3,773	-9.9	372,833,673	2.5	3,582	-6.4	366,072,402	4.6
Delaware	1,583	-5.2	126,027,084	2.5	1,080	-7.8	96,812,373	1.9
Montgomery	3,898	1.1	303,661,879	12.6	3,452	9.3	285,283,941	15.8
Philadelphia	1,764	37.8	99,817,469	31.9	732	14.9	52,352,020	9.8
Pittsburgh MSA	5,547	2.6	406,336,642	8.6	3,842	-6.0	356,266,451	7.0
Allegheny	3,564	-1.4	267,879,392	3.0	2,130	-11.6	226,067,467	1.9
Fayette	372	31.9	15,450,307	19.9	252	-7.0	12,022,541	-4.6
Washington	527	9.6	41,451,573	17.6	471	2.6	39,736,573	15.2
Westmoreland	1,084	5.6	81,555,370	23.4	989	4.1	78,439,870	22.6
Reading MSA (Berks)	2,184	0.3	146,125,279	5.3	2,047	28.0	141,570,732	31.4
Scr-Wilkes-Barre MSA	5,523	-4.2	369,426,147	0.3	4,826	-6.1	338,383,744	-0.2
Columbia	130	13.0	5,800,086	23.0	110	15.8	5,352,008	26.2
Lackawanna	714	1.0	44,401,476	9.4	654	-0.6	43,025,150	9.4
Luzerne	1,167	0.6	70,619,300	7.7	1,007	3.5	61,092,973	12.4
Monroe	3,447	-7.9	244,468,371	-4.0	2,996	-11.2	225,056,699	-5.6
Wyoming	65	51.2	4,136,914	49.0	59	43.9	3,856,914	41.2
Sharon MSA (Mercer)	195	37.3	10,705,544	30.4	171	23.9	9,709,544	21.2
St Coll MSA (Centre)	703	-36.3	57,771,684	-23.9	637	-24.4	53,041,303	-6.0
W'port MSA (Lycoming)	362	14.6	20,124,909	16.4	302	11.4	18,841,909	19.0
York MSA	3,829	29.1	226,523,401	23.2	2,884	14.5	200,648,959	18.4
Adams	916	35.1	54,131,601	42.4	745	19.4	48,149,801	32.2
York	2,913	27.3	172,391,800	18.2	2,139	12.9	152,499,158	14.6
Non-MSA counties								
Armstrong	85	-46.5	4,467,255	-35.7	85	-46.5	4,467,255	-35.7
Bedford	136	11.5	5,765,778	34.2	120	0.0	5,184,498	22.0
Bradford	134	9.8	5,995,234	21.7	115	11.7	5,816,016	25.2
Butler	878	21.9	74,919,286	75.3	714	16.3	68,429,180	73.0
Cameron	13	-50.0	850,920	-46.6	13	-50.0	850,920	-46.6
Clarion	62	-8.6	2,913,583	9.3	62	3.3	2,913,583	14.7
Clearfield	95	-26.9	5,212,266	-38.0	83	-36.2	4,960,666	-41.0
Clinton	91	46.8	4,899,712	33.7	63	1.6	3,279,712	-10.5
Crawford	176	6.0	7,038,772	6.7	173	4.2	6,910,772	4.8
Elk	91	7.1	4,379,970	-1.8	80	-3.6	4,161,970	-5.8
Forest	11	-15.4	566,441	-19.4	11	-15.4	566,441	-19.4
Franklin	603	-14.1	33,596,275	-8.6	603	-14.1	33,596,275	-8.6
Fulton	39	-4.9	1,694,480	-0.2	39	-4.9	1,694,480	-0.2
Greene	13	18.2	686,800	52.1	11	22.2	659,800	53.8
Huntingdon	136	-9.3	4,621,070	-1.8	136	-9.3	4,621,070	-1.8
Indiana	150	-13.8	9,231,984	-7.3	98	10.1	7,122,984	40.1
Jefferson	69	-27.4	3,480,600	-13.1	69	-12.7	3,480,600	-0.5
Juniata	86	3.6	3,106,760	-8.4	70	6.1	2,751,760	-5.0
Lawrence	136	-8.1	7,108,484	-26.5	114	21.3	6,723,484	18.7
McKean	55	-12.7	2,530,685	-12.1	52	-11.9	2,486,685	-10.5
Mifflin	181	13.1	8,103,496	21.6	179	26.1	8,043,496	30.6
Montour	243	-12.3	7,563,937	-15.9	243	-6.2	7,563,937	-9.1
Northumberland	219	49.0	9,650,473	37.7	159	9.7	7,840,473	12.4
Pike	1,681	-0.2	172,106,680	47.6	1,647	-0.1	170,436,760	49.4
Potter	23	-51.1	751,935	-36.3	23	-51.1	751,935	-36.3
Schuylkill	253	2.0	13,260,366	3.8	245	1.7	13,133,841	3.7
Snyder	112	-5.9	5,978,709	-1.3	104	-5.5	5,798,709	-1.1
Sullivan	79	8.2	3,284,940	1.1	79	8.2	3,284,940	1.1
Susquehanna	207	15.6	9,490,416	29.6	195	11.4	9,269,416	28.3
Tioga	234	46.3	8,250,973	68.6	234	46.3	8,250,973	68.6
Union	173	8.8	11,298,036	17.4	147	-7.5	9,293,036	-3.4
Venango	69	-25.8	3,370,880	-16.9	69	-25.8	3,370,880	-16.9
Warren	70	-21.3	3,334,140	-18.9	70	-21.3	3,334,140	-18.9
Wayne	956	4.6	60,586,022	8.1	954	6.4	60,506,022	9.3

Source: U.S. Dept. of Commerce, Bur. of the Census

New authorized nonresidential construction in permit issuing places by metropolitan statistical area and county (authorizations in no. of bldgs.; value in dollars)

	Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
MSAs				
A'town-Beth MSA	2,171	13.0	160,732,660	47.4
Carbon	143	-22.7	4,292,942	-22.5
Lehigh	892	11.4	94,740,554	41.2
Northampton	1,136	21.5	61,699,164	69.4
Altoona MSA (Blair)	178	6.0	16,414,779	19.3
Beaver MSA (Beaver)	373	22.3	13,313,226	-12.1
Erie MSA (Erie)	579	2.8	37,822,870	29.6
H'burg-Leb-Carl MSA	1,533	8.5	219,618,957	34.8
Cumberland	574	-3.9	83,660,207	-3.2
Dauphin	599	25.1	91,008,635	155.3
Lebanon	215	0.9	43,371,100	13.2
Perry	145	16.9	1,579,015	-37.8
Johnstown MSA	350	2.9	16,394,541	15.4
Cambria	147	-25.8	10,036,759	89.8
Somerset	203	43.0	6,357,782	-28.7
Lanc MSA (Lancaster)	1,477	19.4	109,684,394	21.5
Philadelphia MSA	5,579	7.7	1,030,502,860	79.1
Bucks	2,102	18.2	132,417,506	75.8
Chester	1,208	-2.3	126,072,408	-17.8
Delaware	657	-3.2	56,700,296	-13.7
Montgomery	1,414	7.4	201,137,883	72.4
Philadelphia	198	15.1	514,174,767	212.9
Pittsburgh MSA	2,333	13.2	207,888,677	6.2
Allegheny	1,155	20.7	149,250,155	6.2
Fayette	279	-6.7	7,588,643	-46.4
Washington	425	14.6	21,270,673	85.9
Westmoreland	474	9.2	29,779,206	0.1
Reading MSA (Berks)	556	-15.5	86,895,519	134.5
Scr-Wilkes-Barre MSA	1,152	0.9	99,398,067	-2.4
Columbia	105	-14.6	1,637,432	-43.1
Lackawanna	235	-1.7	25,938,840	-15.5
Luzerne	410	12.0	43,673,137	35.4
Monroe	379	-4.3	27,733,088	-21.9
Wyoming	23	27.8	415,570	-21.0
Sharon MSA (Mercer)	276	2.6	10,430,291	12.6
St Coll MSA (Centre)	340	51.1	35,921,421	14.3
W'port MSA (Lycoming)	277	-5.8	10,577,235	5.5
York MSA	1,713	17.5	92,261,823	-18.8
Adams	252	2.0	11,530,023	-42.0
York	1,461	20.6	80,731,800	-13.9
Non-MSA counties				
Armstrong	95	14.5	2,207,647	-1.2
Bedford	136	19.3	3,942,063	15.9
Bradford	318	20.9	5,675,457	46.8
Butler	357	15.2	49,429,386	101.9
Cameron	7	-12.5	641,586	137.8
Clarion	49	-26.9	925,498	-80.6
Clearfield	49	14.0	3,594,823	-70.8
Clinton	64	60.0	2,873,757	141.1
Crawford	532	44.2	8,573,141	-7.3
Elk	164	-3.0	2,355,207	-5.3
Forest	13	116.7	48,860	119.5
Franklin	157	4.7	4,335,188	-48.0
Fulton	95	82.7	454,117	143.0
Greene	15	650.0	484,075	1,000.2
Huntingdon	87	20.8	2,875,569	44.8
Indiana	73	28.1	3,707,326	39.4
Jefferson	112	6.7	3,049,660	-48.8
Juniata	47	-16.1	1,039,494	-45.8
Lawrence	149	-10.2	5,790,345	25.6
McKean	95	13.1	5,734,186	63.1
Mifflin	96	-19.0	8,081,438	357.3
Monticour	22	-18.5	12,850,300	1,641.0
Northumberland	129	14.2	7,180,424	-69.5
Pike	159	-14.5	6,510,978	33.6
Potter	64	73.0	906,579	-7.2
Schuylkill	156	6.8	11,411,175	16.2
Snyder	134	25.2	4,819,106	17.1
Sullivan	53	82.8	377,491	70.3
Susquehanna	108	4.9	2,551,919	68.5
Tioga	222	26.1	4,420,279	8.5
Union	118	-3.3	13,853,510	279.2
Venango	86	36.5	2,119,757	0.8
Warren	151	20.8	2,126,634	64.2
Wayne	125	-11.3	5,404,721	-2.3

Source: U.S. Dept. of Commerce, Bur. of the Census

mits among all non-metro counties in 1988. New authorizations in Pike County were essentially unchanged from 1987 while Wayne and Butler Counties realized gains.

While there is a good deal of variability across regions, growth in new residential construction activity in Pennsylvania seems to have slowed from earlier in the decade. In absolute terms, however, activity probably held fairly steady in 1988 at near-record levels. The situation appears to have worsened considerably in the first few months of 1989 according to preliminary estimates. Through the first quarter, housing unit authorizations were down by one-fifth from a year ago. New construction values were estimated to be 14 percent less than in the same period in 1988.

On the nonresidential side, 23,126 new projects were authorized by permit in 1988 in Pennsylvania. This works out to a 10.4 percent advance over 1987 levels. Permitted construction was valued at more than \$2.3 billion, up 40.3 percent from 1987. Nationally, 488,167 nonresidential permits were granted last year, down 2.6 percent. Valuations were up 6.6 percent to \$51.5 billion.

The largest absolute gain in the number of projects authorized came in the other buildings category which includes sheds, barns, jails, and post offices, to name a few sub-groups. All told, 11,463 projects of this type were authorized in 1988 for a gain of 1,754. The largest percentage gains came in public works and religious buildings where authorizations rose by nearly one-third. Industrial buildings, offices, stores and hospitals accounted for the bulk of the increase in new permitted construction valuations. Ironically, none of these four realized a gain in the number of authorizations.

Among Pennsylvania's metropolitan statistical areas, only Reading and Williamsport failed to record an increase in the number of nonresidential permits granted in 1988. The largest percentage gains came in State College (a 51.1 percent gain from 1987), Beaver County (+22.3 percent), and Lancaster (+19.4 percent). Authorizations in Pennsylvania counties in the Philadelphia metro area rose 7.7 percent with the strongest showing in Bucks County. A 13.2 percent increase occurred in the Pittsburgh area with Allegheny County accounting for a relatively large share of the gain. Growth in construction valuation was quite varied across metropolitan counties last year. New nonresidential construction values were more than triple the 1987 reading in Philadelphia County. They were up 155.3 percent in Dauphin County and 134.5 percent in Berks County. Three counties, Fayette, Columbia, and Adams, registered declines of close to 50 percent.

Trends across Pennsylvania's non-metro counties are even more varied and difficult to read. In Greene County, the number of authorizations rose 650 percent (albeit to a small 15 projects) and the value of construction was 10 times greater than in 1987. Montour County saw authorizations drop, yet valuations rose 1,641 percent.

There appears to be no significant uptrend or downtrend in the data through the first quarter of 1989. Statewide, the number of nonresidential permits authorized dipped slightly from a year ago but this new construction was valued higher.

— William D. Anderson

[This represents the Center for Regional Business Analysis' initial attempt to highlight annual trends in building permit

authorizations. Historically, construction contracts awarded was our sole gauge of construction activity. More recently we have looked at housing permit authorizations Statewide on a quarterly and then a monthly basis (along with non-residential permit authorizations). This article is the result of a continuous effort to broaden the scope of the analyses contained in the Pennsylvania Business Survey. Strong consideration is being given to updating this study annually and publishing the results in the PBS. Any comments that you have concerning the usefulness of this information would be greatly appreciated. Please send your comments to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802.]

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